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Report Highlights:
The EU beef sector turns out to be fairly resilient, with recovering production, exports and consumption in 2002, but still below 2000 levels. As of 2002, EU pig production starts increasing as foreseen, once the effects of animal disease outbreaks have faded away.

Includes PSD changes: Yes
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For details concerning 2001 preliminary figures, please refer to the 2001 EU Annual Livestock Report (E#21105).

Executive Summary

The recovery in both the EU beef and pork sector should occur in 2002. In spite of new cases detected in Austria and Finland, the effects of BSE on consumption and trade and consequently on production are fading away. The EU beef sector seems to stabilize at levels lower than in 2000.

High 2001 prices for pork, caused by disrupted production due to disease outbreaks and higher demand related to BSE, are gradually deflating in 2002. Pig production starts recovering in the first year of this new breeding cycle.

Beside simultaneous production expansion in 2002, both sectors share a long-time trade trend: in both cases, exports tend to decrease due to their lack of competitiveness on world markets, and imports grow, boosted by preferential agreements.

Cattle

PSD Table						
Country	European Union					
Commodity	Animal Numbers, Cattle				(1000 HEAD)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Total Cattle Beg. Stks	82235	82235	81337	81337	80391	80,507
Dairy Cows Beg. Stocks	21784	21784	21522	21522	21450	21152
Beef Cows Beg. Stocks	12067	12067	12112	12112	12200	12898
Production (Calf Crop)	28363	28363	27572	27900	27714	27850
Extra EC Imports	478	478	440	460	465	415
TOTAL SUPPLY	111076	111076	109349	109697	108570	108772
Extra EC Exports	320	320	134	240	294	270
Cow Slaughter	7330	7330	6823	6865	6934	7154
Calf Slaughter	7226	7226	6941	6993	6985	7206
Other Slaughter	12504	12504	11466	11542	11574	11940
Total Slaughter	27209	27209	25230	25400	25493	26300
Loss	2210	2210	3594	3550	1933	2100
Ending Inventories	81337	81337	80391	80,507	80850	80102
TOTAL DISTRIBUTION	111076	111076	109349	109697	108570	108772

Generally speaking, the cattle situation suffered less than forecast from the BSE outbreak in 2001 and therefore is expected to recover less dramatically than foreseen in 2002, accentuating the long-time downward trend of EU cattle production.

EU cattle populations are still forecast to decrease in 2002, as they did in 2001. The 2001 cut in production was due to the BSE crisis, weak demand for beef in the domestic market and returns for EU beef producers, which exacerbated the downward trend resulting from the limited dairy production. However, the decrease was less pronounced than first foreseen due to the large number of cattle held on farm by producers expecting resumed export opportunities, better price levels in the domestic EU market or wanting to sell their animals into the Special Purchase Scheme. Production did not drop as severely as expected as EU beef consumption recovered somewhat from the BSE scare and national aids came to the rescue of EU beef producers.

In 2002, production stabilizes rather than increases, as most member states lost confidence in the beef sector and prices remain low, particulary for cows. Furthermore, EU beef producers have to comply with production stabilizing measures decided by the EU Commission in June 2001 (see EU Annual Livestock Report E#21105). Two major exceptions to this trend, the Netherlands and Spain, are still increasing production. The Netherlands is recovering from the FMD outbreak, while Spain sees improved export prospects within the EU. However, production in 2002 is not reaching 2000 levels, as export outlets become scarce and slaughter figures have not reached pre-BSE levels.

Import projections of live cattle for 2001 increased. The FMD and BSE crises forced some member states to replace traditional imports from neighboring countries by extra-EU imports, such as Italy importing from Eastern Europe rather than France. In 2002, imports are lower than forecast, as animals held back on farms and a stable calf crop suffice to satisfy demand in the domestic EU market.

Exports in 2001 did not suffer as much as foreseen from bans erected in third countries because of BSE and FMD outbreaks in the EU. However, it is unlikely that the EU will recapture lost markets in the Middle East in 2002.

Cattle slaughter, defined as product for the market, decreased in 2001 due to sluggish demand in the EU market and large numbers of animals held on farm. Furthermore, all the animals slaughtered under the Purchase for Destruction (PFD) scheme and under FMD culling schemes were accounted for as losses. Slaughter levels bounce back in 2002, as the PFD scheme was terminated in 2001 and demand levels for beef improve throughout the EU.

Losses increased in 2001 as animals were slaughtered en masse in order to rebalance the beef market under the PFD scheme (the equivalent of 240,000mt was destroyed) and also to eradicate the FMD outbreak. Losses diminish in 2002 after the termination of the PFD scheme and the end of the FMD outbreak and also because slaughter levels are expected to be higher than foreseen. The major variation in losses between 2001 and 2002 was, however, softened by the suspension of the Over Thirty Months Scheme (OTMS) scheme in the UK in 2001 (when facilities were all devoted to FMD culling schemes) and its resumption in 2002.

EU production (calf crop) by member state

	2001	**2002**
EU total	27900	27850
France	7117	7200
Germany	4725	4680
Italy	3035	3050
UK	3000	2975
Spain	2213	2290
Netherlands	1376	1700
Other member states	6434	5955

EU cattle slaughter by member state

	2001	2002
EU total	25400	26300
France	5469	5700
Germany	4529	4360
Italy	4200	4400
Spain	2320	2500
UK	2200	2050
Netherlands	1630	2015
Other member states	5052	5275

EU cattle exports by member state

	2001	2002
EU total	240	270
Germany	110	110
France	68	70
Netherlands	2	10
Italy	5	5
Denmark	5	5
Other member states	50	70

Beef

PSD Table						
Country	European Union					
Commodity	Meat, Beef and Veal				(1000 MT CWE)(1000 HEAD)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Slaughter (Reference)	27209	27209	25230	25400	25493	26300
Beginning Stocks	400	400	367	367	750	547
Production	7462	7462	6896	7000	6932	7230
Extra EC Imports	448	448	400	420	440	480
TOTAL SUPPLY	8310	8310	7663	7787	8122	8257
Extra EC Exports	643	643	480	500	600	600
TOTAL Dom. Consumption	7300	7300	6433	6740	6897	7097
Ending Stocks	367	367	750	547	625	560
TOTAL DISTRIBUTION	8310	8310	7663	7787	8122	8257

EU beef production decreased in 2001 as a result of the BSE crisis and its immediate effect on demand. However, the cut in production was not as deep as first foreseen as domestic consumption started improving regularly in the summer of 2001, earlier than anticipated. Slaughter weights in some member states increased slightly in 2001. This is mainly due to animals being held on farm for financial, market-related or veterinary reasons. Some producers kept their animals on farm until after March, when premia were increased under Agenda 2000 conditions, or chose to wait to slaughter their animals until prices started improving or had to delay slaughters due to restrictions on animal movements because of FMD.

Beef production in 2002 is recovering from the BSE crisis but is unlikely to return to 2000 levels. Increased production is resulting from stronger domestic demand and better export prospects. EU beef production seems unaffected by the detection of BSE cases in Austria and Finland, leaving Sweden the only EU member state with no BSE cases.

Imports decreased in 2001 in line with poor demand levels in the EU market and decreased exports. Imports are forecast to increase strongly in 2002 due to increased volumes from Argentina and Brazil. Argentina’ s FMD-animal health situation (FMD-free) enables it to export again to the EU under preferential conditions. However, Brazil has overtaken Argentina as the biggest beef exporter to the EU. Brazilian beef prices are so low that even full duty above-quota imports are competitive in the EU market.

Exports steeply decreased in 2001 due to numerous bans set up by third countries after the BSE and FMD outbreaks. Even though exports decreased shipments to Russia of low-priced EU beef were up from 2000. The EU has lost markets in North Africa and the Middle East. Besides Russia, Lebanon is the other major export destination, followed by North Korea, to which Germany sent some quantities of SPS beef. It is foreseen that exports will increase again in 2002, taking into account prospective Irish exports to Egypt. Even though Egypt loosened its ban in the fall of 2001, no exports have taken place as of January 2002. If potential exports to Egypt do not materialize, the loss in exports will directly inflate intervention stocks.

The drop in EU beef consumption due to a general loss of confidence by the EU consumer which was foreseen at 12 pct in 2001 was reevaluated at 8 pct for the whole year, given the steady recovery throughout the EU beginning in the summer of 2001. Even new cases found in Finland and Austria were not able to disrupt this upward curve. This recovery should continue into 2002, but consumption is not foreseen to reach 2000 levels. However, it is estimated that the boosting effect of BSE on other meats, particularly poultry and pork, will all but cease in 2002.

Ending stocks include cold storage as well intervention stocks which amounted to 280,000mt in 2001 and stocks under the Special Purchase Scheme (SPS) which replaced the PFD scheme: SPS stocks amounted to 165,000mt at the end of December 2001. Ending stocks are forecast to stabilize at the end of 2002: smaller quantities are likely to be taken into intervention, which will stop existing as such in July 2002 to be replaced by private storage aid. Furthermore, the SPS scheme will also be discontinued in March 2002 and is currently capped at 40,000mt. Member states should also start releasing SPS quantities out of intervention.

EU beef production by member state

	2001	**2002**
EU total	7000	7230
France	1586	1681
Germany	1355	1320
Italy	1110	1140
UK	636	589
Spain	545	587
Netherlands	364	423
Other member states	1394	1490

EU beef consumption by member state

	2001	**2002**
EU total	6740	7097
France	1541	1580

Italy	1350	1420
Germany	990	1100
UK	983	995
Spain	430	532
Other member states	1446	1470

EU beef exports by member state

	2001	**2002**
EU total	500	600
Germany	211	180
Ireland	60	150
Spain	30	35
Netherlands	26	40
Denmark	26	28
Other member states	147	167

Swine

PSD Table						
Country	European Union					
Commodity	Animal Numbers, Swine				(1000 HEAD)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
TOTAL Beginning Stocks	124319	124319	123261	123261	122938	123012
Sow Beginning Stocks	11926	11926	11778	11568	11866	11490
Production (Pig Crop)	213643	213643	213693	213500	214699	214500
Extra EC Imports	54	54	50	73	62	73
TOTAL SUPPLY	338016	338016	337004	336834	337699	337585
Extra EC Exports	128	128	68	22	73	28
Sow Slaughter	3357	3357	3250	2505	3376	2659
OTHER SLAUGHTER	200281	200281	198248	199595	201692	201613
Total Slaughter	203638	203638	201498	202100	205068	204272
Loss	10989	10989	12500	11500	10150	10213
Ending Inventories	123261	123261	122938	123012	122408	123072
TOTAL DISTRIBUTION	338016	338016	337004	336834	337699	337585

EU swine production which was foreseen to be fairly stable, went down in 2001 mainly due to the impact of new environmental regulations on Dutch production, not entirely offset by a production increase in Italy. Swine production was also affected to some extent by the FMD outbreak. As for cattle, this decrease in production is also due to a number of animals kept on farm because of movement restrictions linked to animal diseases. Thirdly, higher demand in the domestic EU market was fulfilled to a larger extent than foreseen by imports.

In 2002, swine production in the EU is still forecast to increase, but to a smaller extent than foreseen, as Spain is expanding production to new areas, prospects improve for Danish exports and consumption grows in Italy. However, the boosting effects of BSE on pork consumption are fading away and the Netherlands has introduced a sell off scheme for producers, which softens the increase rate in production.

Imports in 2001 were first foreseen to decrease because of FMD restrictions but increased instead due to new imports from the Dominican Republic to French Overseas Territories (Martinique, Guadeloupe) and to Spanish imports from Eastern Europe replacing traditional imports from member states. Imports are expected to stabilize in 2002 as animal health rules are loosened and new trade patterns started in 2001 continue into 2002.

EU 2001 swine exports are deeply affected by FMD and Classical Swine Fever (CSF) outbreaks as well as by the decrease in production, which is not offset by higher imports, and growing demand for pigmeat. Exports are likely to recover somewhat in 2002 as third countries lift their import bans, but not nearly to 2000 numbers.

Slaughter levels in 2001 did not plummet as much as foreseen as many animals were held on farm due to movement restrictions and pork consumption is boosted by the BSE crisis. Slaughter increases in 2002 are due to the end of movement restrictions, the improvement of intra-EU export prospects for Spain and the recovery of the pig sector in the UK. The slaughter recovery is mitigated by lower slaugher levels in the Netherlands, which is adjusting to new production levels.

Higher slaugher levels than foreseen in 2001 directly impacted losses, which only increased marginally because of limited FMD and CSF culling schemes in Spain, the UK and the Netherlands.

EU production (pig crop) by member state

	2001	**2002**
EU total	213500	214500
Germany	40380	40700
Spain	38408	39750
France	26362	26420
Netherlands	27300	26000
Denmark	23570	24142
Italy	13413	13783
Other member states	44067	43705

EU pig slaughter by member state

	2001	**2002**
EU total	202100	204272

Germany	43903	43900
Spain	36793	38537
France	26415	26520
Denmark	21843	22280
Netherlands	16000	16000
Italy	13150	13400
Other member states	44996	43635

EU pig exports by member state

	2001	**2002**
EU total	22	28
Germany	7	10
Netherlands	5	5
Denmark	2	2
Other member states	8	11

Pigmeat

PSD Table						
Country	European Union					
Commodity	Meat, Swine				(1000 MT CWE)(1000 HEAD)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Slaughter (Reference)	203638	203638	201498	202100	205068	204272
Beginning Stocks	736	736	737	737	697	811
Production	17585	17585	17419	17600	17800	17800
Extra EC Imports	54	54	60	55	65	55
TOTAL SUPPLY	18375	18375	18216	18392	18562	18666
Extra EC Exports	1470	1470	1220	1235	1320	1350
TOTAL Dom. Consumption	16168	16168	16299	16346	16542	16500
Ending Stocks	737	737	697	811	700	816
TOTAL DISTRIBUTION	18375	18375	18216	18392	18562	18666

In spite of earlier forecasts, EU pork production increased in 2001, given higher demand for substitute meats during the BSE crisis. This surge in production, pushed by high pig prices in the EU market, took place in spite of lower slaughter number due to larger slaughterweights of animals held on farm during animal disease outbreaks. Production is expected to keep increasing in 2002, in spite of lower foreseen prices, as some member states, such as the UK and the Netherlands, recover from the FMD outbreak and some others, such as Denmark, forecast export growth.

Imports, mostly from Eastern Europe, are stable in 2001 and 2002 , the two first implementation years of double zero agreements with Central and Eastern European countries.

Exports decreased in 2001 as the result of import bans in a number of third countries due to the FMD outbreaks. Higher tariffs triggered by Japan under the safeguard clause slowed down EU pigmeat exports but were partly offset by high pork prices on the Japanese market due to the BSE crisis. Furthermore, sustained demand in the EU market and high EU prices (pork was not eligible for export refunds) reduced exports as well.

Exports are foreseen to recover in 2002 after most third countries lift their import ban, and some member states, such as the Netherlands, recuperate lost markets after the FMD outbreak. Denmark is anticipating good export levels to Eastern Europe, the United States and Asia. Spain is also expected to increase exports to Latin America. However, 2002 export levels are still foreseen under 2000 levels as pork is not granted export refunds and one of the major destinations for EU pork, i.e. Japan, is expected to reinstate the safeguard clause soon after its presumed lifting in March 2002.

In 2001, EU pork consumption increased by slightly more than its usual 1 pct a year as a result of the BSE scare. However, beef consumption bounced back rather quickly and consumption in 2002 is only expected to increase marginally.

Ending stocks in 2001 turned out to be larger than foreseen, as some member states, particularly Denmark, stored meat for exports throughout the year in order to be able to satisfy demand as third countries started opening their borders to EU pigmeat.

EU pigmeat production by member state

	2001	**2002**
EU total	17600	17800
Germany	4065	4080
Spain	3020	3160
France	2319	2333
Denmark	1705	1735
Italy	1495	1520
Netherlands	1460	1400
UK	932	965
Other member states	2604	2607

EU pigmeat consumption by member state

	2001	**2002**

EU total	16346	16500
Germany	4500	4580
Spain	2665	2685
France	2233	2233
Italy	2220	2200
UK	1391	1402
Netherlands	679	675
Other member states	2658	2725

EU pigmeat exports by member state

	2001	**2002**
EU total	1235	1350
Denmark	482	480
France	105	150
Netherlands	130	105
Germany	90	80
Belgium-Luxembourg	50	50
Other member states	378	485